

Message Text

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ACTION NEA-10

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COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
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C O N F I D E N T I A L KUWAIT 4326

E.O. 11652: GDS
TAGS: ENRG, EALR, ETRD, I, KU
SUBJECT: KUWAIT/ROMANIAN PETROCHEMICAL VENTURE

REF: (A) BUCHAREST 1436, (NOTAL), (B) KUWAIT 1233 (NOTAL)
(C) KUWAIT 0102

1. THE WEARY ROMANIANS HAVE TROPPED TO KUWAIT YET AGAIN FOR ANOTHER ROUND OF DISCUSSIONS WITH THE KUWAITIS ON THE MIDIA (NAVORDARI) PETROCHEMICAL PROJECT. KUWAIT OIL MINISTRY EXPERT WHO PARTICIPATED IN DISCUSSIONS, INCLUDING MEETING BETWEEN ROMANIANS AND KUWAITI OIL MINISTER, TOLD US THAT THE KUWAITIS HAD EXPECTED NOTHING TO COME FROM THE DISCUSSIONS, SINCE NEW KUWAIT OIL MINISTER, SHAIKH ALI KHALIFA AL-SABAH, HAS TAKEN VERY HARD-NOSED VIEW OF PROJECTS SUCH AS THAT PROPOSED BY THE ROMANIANS. HOWEVER, SOURCE SAID, IN THE MIDDLE OF MEETING WITH ROMANIAN DELEGATION, ALI KHALIFA'S INATTENTION WITH JOLTED BY REALIZATION THAT ROMANIANS HAD AGREED TO KUWAITI REQUEST FOR GUARANTEED 15 PERCENT RETURN ON INVESTMENT PLUS VARIOUS OTHER DEMANDS. MEETING DID NOT PRODUCE ANY FINAL AGREEMENT, BUT OUR SOURCE BELIEVES THAT DECISION BY THE MINISTER TO SEND THE PROJECT TO THE
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FINANCE MINISTRY FOR STUDY IS NOT DESIGNED TO BURY IT, BUT IN FACT FOR SERIOUS CONSIDERATION.

2. QUERIED BY US ABOUT THE TALKS JULY 25, SHAIKH ALI KHALIFA LIMITED HIMSELF TO SAYING THAT HE WAS "WARY" OF KUWAITI INVOLVEMENT IN LARGE, COMPLEX PROJECTS SUCH AS THAT PROPOSED BY ROMANIANS. HE SAID THAT HE HAD ABSOLUTELY

NO USE FOR THE ALLEGED "SECONDARY OR TERTIARY BENEFITS" TO COUNTRIES SUCH AS KUWAIT FROM SUCH PROJECTS AND WAS ONLY INTERESTED IN WHETHER THEY COULD PRODUCE AN "ECONOMIC" RETURN. IT WAS FOR THIS REASON, HE SAID, THAT HE TURNED OVER REVIEW OF THE PROJECT TO THE FINANCE MINISTRY.

3. COMMENT: THE ROMANIANS HAVE BEEN CONDUCTING "FINAL" NEGOTIATIONS WITH THE KUWAITIS ON THIS PROJECT FOR WELL OVER TWO YEARS, MAKING IT APPEAR ALMOST LUDICROUS. SHAIKH ALI KHALIFA'S COMMENTS AS WELL AS THOSE OF OTHERS IN THE PAST HAVE ALWAYS LED US TO THE CONCLUSION THAT THE PROJECT HAD LITTLE HOPE OF SUCCESS. HOWEVER, KUWAITIS ARE ALWAYS TEMPTED BY A "GOOD DEAL" AND IF THE ROMANIANS ARE REALLY MAKING IT THAT WORTHWHILE, THE PROJECT'S CHANCES FOR KUWAITI FINANCING MAY HAVE IMPROVED SOMEWHAT. EVEN IF KUWAITI AVARICE DOES GET THE BETTER OF THEM, WE WOULD BE SURPRISED IF THE NEGOTIATIONS DO NOT CONTINUE TO DRAG ALONG FOR SOME TIME. HAGGLING IS CONSIDERED A SPORT, IF NOT AN ART, HERE.
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